

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>Brandon Township Public Library</b>	County <b>Oakland</b>
Fiscal Year End <b>December 31, 2006</b>	Opinion Date <b>May 30, 2007</b>	Date Audit Report Submitted to State <b>June 8, 2007</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

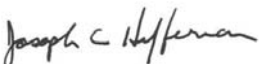
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>Plante &amp; Moran, PLLC</b>		Telephone Number <b>810-767-5350</b>		
Street Address <b>111 East Court Street, Suite 1A</b>		City <b>Flint</b>	State <b>MI</b>	Zip <b>48502</b>
Authorizing CPA Signature 		Printed Name <b>Joseph C. Heffernan</b>		License Number <b>1101012480</b>

**Brandon Township Public Library  
Oakland County, Michigan**

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**Financial Report  
December 31, 2006**

# **Brandon Township Public Library**

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## Independent Auditor's Report

To the Brandon Township Public Library Board  
Brandon Township  
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities and the General Fund of Brandon Township Public Library as of December 31, 2006 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Brandon Township Public Library as of December 31, 2006 and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

May 30, 2007

# **Brandon Township Public Library**

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## **Management's Discussion and Analysis**

Our discussion and analysis of Brandon Township Public Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Library's financial statements.

### **Using this Annual Report**

The basic financial statements for the Library are comprised of the governmental fund balance sheet/statement of net assets, statement of governmental fund revenue, expenditures, and changes in fund balance/statement of activities, and notes to the financial statements.

The statement of net assets presents the information of the governmental fund for both the assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the governmental fund's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the governmental fund financial statements.

**Management's Discussion and Analysis (Continued)**

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior year:

	2004	2005	2006	Change in:	
				Dollars	%
<b>Assets:</b>					
Cash and investments	\$ 228,609	\$ 201,012	\$ 178,847	\$ (22,165)	-11%
Taxes receivable	843,486	848,587	942,615	94,028	11%
Other assets	23,910	26,879	-	(26,879)	-100%
Capital assets	4,464,424	4,195,495	4,025,401	(170,094)	-4%
Total assets	5,560,429	5,271,973	5,146,863	(125,110)	-2%
<b>Liabilities:</b>					
Current liabilities	220,887	260,494	238,795	(21,699)	-8%
Deferred revenue	843,486	848,587	942,615	94,028	11%
Long-term liabilities	3,208,006	3,030,521	2,839,569	(190,952)	-6%
Total liabilities	4,272,379	4,139,602	4,020,979	(118,623)	-3%
<b>Net assets:</b>					
Invested in capital assets - Net of debt	1,109,424	1,005,495	1,015,401	9,906	1%
Unrestricted	178,626	126,876	110,483	(16,393)	-13%
Total net assets	\$ 1,288,050	\$ 1,132,371	\$ 1,125,884	\$ (6,487)	-1%
	2004	2005	2006	Change in:	
				Dollars	%
<b>Revenue:</b>					
Property tax	\$ 1,110,359	\$ 1,156,913	\$ 1,212,662	\$ 55,749	5%
All other revenues	107,879	135,088	103,377	(31,711)	-23%
Total revenue	1,218,238	1,292,001	1,316,039	24,038	2%
<b>Expenses:</b>					
Salaries and fringes	607,484	642,747	610,452	(32,295)	-5%
Other current services	220,414	259,229	262,218	2,989	1%
Depreciation expense	283,520	402,569	314,011	(88,558)	-22%
Interest expense	149,750	143,135	135,845	(7,290)	-5%
Total expenses	1,261,168	1,447,680	1,322,526	(125,154)	-9%
Change in net assets	\$ (42,930)	\$ (155,679)	\$ (6,487)	\$ 149,192	-96%

# Brandon Township Public Library

## Management's Discussion and Analysis (Continued)

There were a few areas of interest that changed from the prior year. Property taxes increased slightly due to an adjustment in property valuation. Revenues decreased due to a loss of penal fines of \$19,733, a state aid reduction of \$4,875, and a loss of memorial fund donations. Also, depreciation on the existing building, furnishings, and book collection was higher than the new purchases made for the year which decreased the capital asset total 4 percent and increased depreciation expense 22 percent. Finally, salary expense decreased 5 percent over last year due to the deputy director position being eliminated mid-year.

### General Fund and Budgetary Highlights

The General Fund is budgeted and accounted for on the modified accrual basis of accounting. This method best answers the "accountability" question of how much money the Library has to spend, and how the Library spent the resources given to it during the year. The end result, then, is measured as "fund balance" - the amount available for spending in the future. The four-year trend in this key number is as follows:

	2003	2004	2005	2006
Fund balance (unreserved)	\$ 236,414	\$ 202,536	\$ 151,783	\$ 138,071
General Fund expenditures	1,004,076	952,366	1,034,619	1,021,420
Fund balance as a % of annual expenditures	23.5%	21.3%	14.7%	13.5%

The Library spent more than was budgeted for each of the last four years. As a result, its fund balance has decreased to \$138,071, or 13.5 percent of annual expenditures.

During the current year, the amendments to the original budget were not very significant.

### Capital Asset and Debt Administration

At the end of 2006, the Library had approximately \$4,000,000 invested in capital assets, primarily land, buildings, furnishings, and library material.

### Contacting the Library's Management

This financial report is intended to provide our citizens with a general overview of Brandon Township Public Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library's office.

# Brandon Township Public Library

## Governmental Fund Balance Sheet/ Statement of Net Assets December 31, 2006

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 177,484	\$ -	\$ 177,484
Investments (Note 3)	1,363	-	1,363
Taxes receivable (Note 1)	942,615	-	942,615
Capital assets not depreciated (Note 4)	-	217,000	217,000
Capital assets depreciated (Note 4)	-	3,808,401	3,808,401
Total assets	<u><u>\$ 1,121,462</u></u>	<u><u>\$ 4,025,401</u></u>	<u><u>\$ 5,146,863</u></u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 20,739	\$ -	\$ 20,739
Deferred revenue (Note 1)	942,615	-	942,615
Accrued salaries and wages	20,037	-	20,037
Lease payable (Note 9):			
Due within one year	-	190,000	190,000
Due in more than one year	-	2,820,000	2,820,000
Long-term debt and other liabilities (Note 5):			
Due within one year	-	8,019	8,019
Due in more than one year	-	19,569	19,569
Total liabilities	983,391	3,037,588	4,020,979
<b>Fund Balance - Unreserved and undesignated</b>	<u>138,071</u>	(138,071)	-
Total liabilities and fund balance	<u><u>\$ 1,121,462</u></u>		
<b>Net Assets</b>			
Invested in capital assets - Net of related debt		1,015,401	1,015,401
Unrestricted		<u>110,483</u>	<u>110,483</u>
Total net assets		<u><u>\$ -</u></u>	<u><u>\$ 1,125,884</u></u>



# Brandon Township Public Library

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities Year Ended December 31, 2006

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
<b>Revenue</b>			
Property tax	\$ 896,817	\$ 315,845	\$ 1,212,662
Penal fines	23,096	-	23,096
State aid	10,665	-	10,665
Charges for services	17,176	-	17,176
Library fines and fees	10,399	-	10,399
Interest income	25,463	-	25,463
Other income:			
Contributions and donations	10,721	-	10,721
Art community events	7,085	-	7,085
Sale of capital assets	4,530	(7,514)	(2,984)
Miscellaneous	1,756	-	1,756
Total revenue	1,007,708	308,331	1,316,039
<b>Expenditures</b>			
Staff salaries and wages	486,546	2,681	489,227
Fringe benefits	121,225	-	121,225
Supplies	41,446	-	41,446
Cooperative expenses	28,337	-	28,337
Professional and contractual services	32,618	-	32,618
Professional development	11,096	-	11,096
Property and liability insurance	28,378	-	28,378
Community relations	36,608	-	36,608
Public utilities	40,831	-	40,831
Repairs and maintenance	28,933	-	28,933
Equipment rental	16,484	-	16,484
Administrative expenses	967	-	967
Capital outlay/Depreciation expense:			
Building, furnishings, and equipment	55,757	69,616	125,373
Library collection materials	92,194	92,964	185,158
Lease interest expense	-	135,845	135,845
Total expenditures	1,021,420	301,106	1,322,526
<b>Change in Fund Balance/Net Assets</b>	(13,712)	7,225	(6,487)
<b>Fund Equity/Net Assets</b>			
Beginning of year	151,783	980,588	1,132,371
End of year	<u>\$ 138,071</u>	<u>\$ 987,813</u>	<u>\$ 1,125,884</u>

# Brandon Township Public Library

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## Notes to Financial Statements December 31, 2006

### **Note 1 - Summary of Significant Accounting Policies**

Brandon Township Public Library (the "Library") is located in the Charter Township of Brandon, Oakland County, Michigan. The Library is primarily funded through a tax levy, fines and fees, and state aid.

#### **Reporting Entity**

The Library is governed by an elected six-member board. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units that are to be included in these financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major fund).

#### **Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, property taxes, charges for services, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### **Government Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

# Brandon Township Public Library

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## Notes to Financial Statements December 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Interest earned on investments is recorded on the accrual basis.

The General Fund, the Library's major governmental fund, is the operating fund. It accounts for all financial resources of the Library. General Fund activities are financed by revenue from property taxes, program fees, and other sources.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Library's policy is to first apply restricted resources.

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Cash Equivalents** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

**Investments** - Investments are recorded at fair value based on quoted market prices.

**Property Taxes** - Properties are assessed as of December 31 and the related property taxes are billed and become a lien on December 1 of the following year. They are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31.

The 2005 taxable valuation of the Library totaled \$501 million, on which taxes levied consisted of total mills of 1.7870, all of which were for operating purposes. This resulted in approximately \$897,000 for operations. This amount is recognized as tax revenue.

# Brandon Township Public Library

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## Notes to Financial Statements December 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include buildings, improvements, furniture, fixtures, and library materials, are reported in the statement of net assets. Capital assets are defined by the Library as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Furniture and fixtures	5 years
Library collection materials	10 years

**Compensated Absences** - It is the Library's policy to permit full-time employees to accumulate earned but unused sick, vacation, and personal day benefits. All compensated absence pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Deferred Revenue** - The governmental fund modified accrual basis financial statements and the government-wide full accrual financial statements report deferred revenue in connection with revenue that has not been earned since it relates to advance collection of property taxes, program fees, or grant money for programs which will be provided subsequent to the end of the current year.

**Long-term Obligations** - In the statement of net assets, long-term debt and other long-term obligations are reported as liabilities.

**Fund Equity** - In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Brandon Township Public Library

## Notes to Financial Statements December 31, 2006

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balance and the net change in fund balance of the Library's General Fund differ from net assets and change in net assets reported in the statement of net assets and the statement of activities. This difference results primarily from the current economic focus of the statement of net assets and the statement of activities versus the current economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total fund equity - Modified accrual basis	\$ 138,071
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the fund	4,025,401
Long-term liabilities are not due and payable in the current period and are not reported in the fund	<u>(3,037,588)</u>
Total net assets - Full accrual basis	<u>\$ 1,125,884</u>
Net change in fund equity - Modified accrual basis	\$ (13,712)
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	151,431
Depreciation	(314,011)
Net book value of assets disposed of	(7,514)
The statement of activities column recognizes the property taxes collected by the Township to support the building lease, as well as the interest expense related to the lease	180,000
Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	<u>(2,681)</u>
Change in net assets of governmental activities - Full accrual basis	<u>\$ (6,487)</u>

# Brandon Township Public Library

## Notes to Financial Statements December 31, 2006

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; local government investment pools; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated 15 banks for the deposit of its funds. The investment policy adopted by the Library in accordance with Public Act 196 of 1997 has authorized investment in all of the investments allowable by the state statutory authority as listed above.

The Library's deposits and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$454 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### Credit Risk of Investments

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Agency
Mutual funds	\$ 1,363	AAA	S&P

# Brandon Township Public Library

## Notes to Financial Statements December 31, 2006

### Note 4 - Capital Assets

A summary of capital assets is as follows:

	Balance - January 1, 2006	Additions	Deletions	Balance - December 31, 2006
Capital assets not being depreciated:	\$ 171,000	\$ -	\$ -	\$ 171,000
Land				
Construction in progress	-	46,000	-	46,000
Net capital assets not being depreciated	171,000	46,000	-	217,000
Capital assets being depreciated:				
Buildings and improvements	3,716,654	-	-	3,716,654
Furniture and fixtures	883,570	14,744	34,486	863,828
Library materials	1,614,386	90,687	72,079	1,632,994
Subtotal	6,214,610	105,431	106,565	6,213,476
Accumulated depreciation:				
Buildings and improvements	557,410	92,916	-	650,326
Furniture and fixtures	807,052	37,444	26,972	817,524
Library materials	825,653	183,651	72,079	937,225
Subtotal	2,190,115	314,011	99,051	2,405,075
Net capital assets being depreciated	4,024,495	(208,580)	7,514	3,808,401
Net capital assets	\$ 4,195,495	\$ (162,580)	\$ 7,514	\$ 4,025,401

### Note 5 - Long-term Debt and Other

Long-term debt of the Library consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease payable (Note 9)	\$ 3,190,000	\$ -	\$ 180,000	\$ 3,010,000	\$ 190,000
Personal property taxes contingent liability	9,528	-	-	9,528	-
Accumulated employee benefits	15,379	2,681	-	18,060	8,019
Total	\$ 3,214,907	\$ 2,681	\$ 180,000	\$ 3,037,588	\$ 198,019

# **Brandon Township Public Library**

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## **Notes to Financial Statements December 31, 2006**

### **Note 5 - Long-term Debt and Other (Continued)**

Accumulated employee benefits represent the estimated liability to be paid to Library employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library.

Personal property taxes represent the estimated liability to be paid to the utility companies that are currently contesting their assessment.

### **Note 6 - Defined Contribution Retirement Plan**

The Library provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The Library contributes 12 percent of employees' gross earnings and there are no employee contributions. The Library's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately. In accordance with these requirements, the Library contributed approximately \$26,000 during the current year.

### **Note 7 - Risk Management**

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance to cover these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### **Note 8 - Budgetary Compliance**

There were several budgetary overruns, resulting primarily from unbudgeted expenditures associated with various capital outlay expenditures and accruals incurred during 2006.



# Brandon Township Public Library

## Notes to Financial Statements December 31, 2006

### Note 9 - Lease Payable

The Library building was funded through a bond issued by the Township. The bond is supported by a millage that is being paid by taxpayers of the Township. The lease payable recorded in the statement of net assets represents the outstanding liability related to the building that is currently being repaid by the Township through the special tax levy. Lease payments due on the Township's bond, which will be funded by the Township debt millage, are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 317,983
2008	319,695
2009	320,983
2010	321,845
2011	322,283
2012	322,175
2013	321,486
2014	325,121
2015	327,925
2016	329,988
2017	331,375
2018	<u>327,200</u>
Total lease payments	3,888,059
Less interest portion	<u>(878,059)</u>
Net present value	<u><u>\$ 3,010,000</u></u>

## **Required Supplemental Information**

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# Brandon Township Public Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property tax	\$ 894,168	\$ 894,168	\$ 896,817	\$ 2,649
Penal fines	19,733	19,733	23,096	3,363
State aid	17,487	17,487	10,665	(6,822)
Charges for services	17,852	18,966	17,176	(1,790)
Library fines and fees	10,127	10,127	10,399	272
Interest income	17,500	17,500	25,463	7,963
Other income:				
Contributions and donations	12,116	12,116	10,721	(1,395)
Art community events	10,000	10,000	7,085	(2,915)
Sale of fixed assets	-	-	4,530	4,530
Miscellaneous	875	1,700	1,756	56
Total revenue	999,858	1,001,797	1,007,708	5,911
<b>Expenditures</b>				
Staff salaries and wages	521,485	504,916	486,546	18,370
Fringe benefits	127,190	132,872	121,225	11,647
Office and custodial supplies	32,671	51,171	41,446	9,725
Cooperative expenses	28,001	28,001	28,337	(336)
Professional and contractual services	16,500	21,500	32,618	(11,118)
Professional development	13,150	13,150	11,096	2,054
Property and liability insurance	31,312	31,312	28,378	2,934
Community relations	29,278	29,278	36,608	(7,330)
Public utilities	46,771	46,771	40,831	5,940
Repairs and maintenance	28,753	29,279	28,933	346
Equipment rental	14,770	14,770	16,484	(1,714)
Administrative expenses	375	375	967	(592)
Capital outlay:				
Building, furnishings, and equipment	18,449	9,249	55,757	(46,508)
Library collection materials	91,153	89,153	92,194	(3,041)
Total expenditures	999,858	1,001,797	1,021,420	(19,623)
<b>Change in Fund Balance/Net Assets</b>	-	-	(13,712)	(13,712)
<b>Fund Equity/Net Assets</b>				
Beginning of year	151,783	151,783	151,783	-
End of year	<u>\$ 151,783</u>	<u>\$ 151,783</u>	<u>\$ 138,071</u>	<u>\$ (13,712)</u>

# **Brandon Township Public Library**

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## **Note to Budgetary Comparison Schedule**

The annual budget is prepared by the Library management and adopted by the Library board; subsequent amendments are approved by the Library board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget statement (budgetary comparison schedule - General Fund) is presented on the same basis of accounting used in preparing the adopted budget and has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted for the Library activity in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as prepared by the Library is included in the other required supplemental information of the basic financial statements. The amounts shown on this statement are in greater detail than the budget as adopted and are used to provide additional analysis for management purposes.